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DDA Memo, 4 Apr 77

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1. French formula for disposition of German assets in Austria--  
Embassy Paris has forwarded a reply of the French Foreign Office to US proposals regarding German assets in Austria. The French reply includes the following:

a. German assets in Austria before 1938, together with war plants removed from that country for reasons of security, should be available for reparations. All other German assets (except former Allied property acquired by Germany since the Anschluss) should be given to Austria.

b. If the Allies renounce their rights to reparations from Austria (as previously proposed by the US, and which the French are willing to do), Austria should agree to pay certain indemnities, make certain restitutions, and resume payments on debts contracted before 15 March 1938.

#### EUROPE-AFRICA

2. GERMANY: French views on US economic proposals--The French Foreign Office, in a note commenting on the US memorandum on economic policy toward Germany, places major stress on security considerations. The French agree that Germans should direct their own national economy, within necessary limitations and controls, but include a strongly worded reservation on the reestablishment of a central administrative machinery before Germany's boundaries and the future central political regime have been clarified. Further reservation is made regarding the French Ruhr proposal.
3. GERMANY: OMGUS opposes transfer of Karlsruhe, Mannheim to French Zone--Murphy reports that the Office of Military Government, US, has recommended USFET opposition to renewed French requests for inclusion of North Baden (Karlsruhe and Mannheim) in the French occupation zone. OMGUS points out that the transfer would lower American prestige by indicating lack of stability in the established state boundaries and

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would greatly increase difficulties of transportation and communications within the US Zone.

4. ITALY: Yugoslav reinforcement of Venezia Giulia--Embassy Rome reports an AFHQ estimate that Yugoslav strength in eastern Venezia Giulia has been doubled during the first half of February. The US Commanding General in that area believes the purpose of this reinforcement is to intimidate the inhabitants of the Yugoslav zone and to exert psychological pressure on the residents of the Allied zone during the visit of the Allied Boundary Commission.
5. HUNGARY: Reported USSR offer on frontiers--The editor of the Smallholders Party newspaper has told Schoenfeld in strictest confidence that Voroshilov has offered, on behalf of the Soviet Government, to support Hungary's revisionist claims in Transylvania, provided that the USSR can be confident that Hungarian economic and political policy will be favorable to Soviet interests. This may explain Hungary's tendency to grant Soviet economic demands.
6. HUNGARY: Cardinal Mindszenty was cleared by Soviet authorities on 18 February to leave Budapest for Rome, and was scheduled to depart the following day in General Key's plane.
7. EGYPT: New cabinet formed--Minister Tuck reports from Cairo that Sidki Pasha's new Cabinet is composed primarily of technicians with a slightly pro-British tinge. Tuck believes the new Government has an uncertain and troubled future.

#### FAR EAST

8. JAPAN: The Emperor as a war criminal--The State Department considers that the position of the Emperor as a war criminal should not be discussed by the War Crimes Commission in London and has so instructed its representative. The Department holds that the International Prosecution Section of SCAP should determine the list of Japanese war criminals in accordance with the policies formulated by the Far Eastern Commission.

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9. N.E.I.: Independence is aim--Salim, Sjahrir's political adviser, has told Consul General Foote that no discussion of economic problems or of a special colonial status will alter the Indonesian demand for independence. If their independence is recognized, Salim claims, the Indonesians are ready to enter into a far-reaching treaty with the Dutch which will protect Dutch interests.
10. CHINA: Credit extension--General Marshall approves the extension of a \$32,300,000 credit to China by the Export-Import Bank for the purchase of transportation and telecommunication equipment. He emphasizes that unless transport facilities are rapidly rehabilitated, famine cannot be averted.

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